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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Honorable Ted Stevens
United States Senate
522 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Stevens:

This in reply to your letter of September 14, 1993, concerning the impact of the competitive bidding provisions of the Omnibus Budget Reconciliation Act of 1993 (Budget Act) on rural telephone companies.

On October 12, 1993, the Commission released a Notice of Proposed Rule Making, PP Docket No. 93-253 (Auction NPRM), to implement the provisions of the Budget Act concerning competitive bidding. According to the Budget Act, the Commission must ensure the economic opportunity of small businesses, businesses owned by women and minorities and rural telephone companies. To meet this Congressional mandate, the Auction NPRM proposed a variety of financial incentives for the designated entities. Specifically, we proposed to offer the designated entities the equivalent of government financing for payment of their bids for radio services subject to competitive bidding, *i.e.*, installment payments with interest. We also asked for comment on the use of tax certificates. In the case of broadband PCS, the Commission also proposed to set-aside two blocks of spectrum in each market, one of 20 MHz and one of 10 MHz, for bidding by the designated entities. In this manner, the designated entities would only compete with one another for broadband PCS, rather than against larger entities with easier access to capital.

In addition, the Auction NPRM asks whether one of the designated entities, rural telephone companies, should only be eligible for preferential measures if the license for which they bid also encompasses all or some significant portion of their franchised service area. If adopted, this proposal would help ensure that entities interested in constructing and operating PCS systems have investment incentives to serve rural areas. As we consider the comments filed in the competitive bidding proceeding, I can assure you that we will keep in mind our mandate to ensure economic opportunity for the designated entities, including rural telcos, as required by the Budget Act.

Sincerely,

James H. Quello

James H. Quello
Chairman

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September 14, 1993

The Honorable James H. Quello
 Acting Chairman
 Federal Communications Commission
 1919 M Street, N.W.
 Washington, D.C. 20554

Dear Jim:

I am writing you today to urge you and the other members of the Commission to take affirmative action to ensure that rural telephone companies are given the opportunity to provide personal communications services. As you are aware, the initial reconciliation bill passed by the Senate included very specific legislative provisions to ensure that rural telephone companies could effectively participate in the competitive bidding process. During our negotiations with the House on the final version of the bill the Senate was persuaded that the Commission could adequately address the Senate's concern.

It has come to my attention that the Commission is currently in the process of finalizing its rules for issuing licenses for personal communications services. Rural telephone companies have demonstrated their commitment to providing service to high-cost, low population areas found throughout my State and most of the West. I urge you to include specific safeguards-- in the form of a set-aside, mandated cooperation between winning bidders and rural telephone companies, bid multipliers or extended payment schedules, to cite some possible examples-- to ensure that rural areas are not left behind as new telecommunications services are introduced.

Some people argue that rural needs will be best met by letting the market decide; however, the market has not always worked in the past for America's rural areas. The rural telephone companies have a proven record of service, and they should be given the opportunity to continue to serve rural needs.

With best wishes,

Cordially,


 TED STEVENS